



Equititrust Income Fund

Supplementary Product Disclosure Statement

3rd February 2011

Equititrust Income Fund ARSN 089 079 854
Equititrust Limited ACN 061 383 944, AFSL 230471



EQUITITRUST CAPITAL

This Supplementary Product Disclosure Statement No. 2 (SPDS) is dated 3 February 2011 and is supplementary to the Product Disclosure Statement dated 6 February 2009 (PDS) issued by Equititrust Limited (Equititrust) for the Equititrust Income Fund (Fund).

The information below supplements and amends information contained in the PDS.

This SPDS is to be read in conjunction with the PDS.

This SPDS replaces, in entirety, the Supplementary Product Disclosure Statement dated 20 December 2010.

Unless otherwise specifically defined in this PDS, the terms defined in the PDS have the same meaning where used in this SPDS.

The directors of Equititrust have authorised the issue of this SPDS.

Withdrawals Status

In October 2008, the Australian Federal Government provided a capital guarantee for deposits with banks and credit unions. The Government guarantee of banks precipitated a "run" on virtually all mortgage funds, Australia-wide.

In response, and in the best interests of all investors, Equititrust elected to defer the processing and payment of withdrawals from the Fund. This change has enabled Equititrust to process withdrawal requests in an orderly and equitable manner, and to manage the Fund's assets in the best interests of all investors.

Further background information is provided in the PDS.

During the deferral period, Equititrust expects, but is not obliged, to make periodic withdrawal offers, subject to available cash and the operational requirements of the Fund.

Since the deferral of the normal withdrawal process there have been three rounds of withdrawal offers made to investors seeking to withdraw.

Up to 31 December 2010, a total of \$21.5 million in withdrawals has been paid to investors, including payments made under hardship relief provisions.

As at 31 December 2010, 16.7% of investors' funds under management were in the pending withdrawal category.

Investments in the pending withdrawal category are deemed to be a separate class of investment, remain eligible to continue to receive a distribution up to a specified variable Benchmark Rate, and remain eligible to receive future withdrawal offers.

Equititrust makes no warranty on the timing or frequency of future withdrawal offers.

Further detail on the current withdrawal process is provided in the PDS.

Hardship Withdrawals

The Fund continues to have the ability to process withdrawal requests on the grounds of financial hardship, subject to certain conditions. Hardship withdrawal requests are required to be made in writing and are reviewed in accordance with specific criteria defined by the Australian Securities and Investments Commission (ASIC), details of which are freely available on our website www.equititrust.com.au or by contacting Equititrust.

Credit Lines

The constitution of the Fund allows Equititrust to borrow funds on behalf of the Fund. These credit facilities enable Equititrust to approve and settle loans in a timely manner, where the available cash of the Fund may temporarily be insufficient. When Fund cash is surplus, Equititrust may retire drawings under the credit lines, ensuring the Fund efficiently utilises these facilities.

These credit facilities, or similar facilities, may be varied by Equititrust from time to time to prudently manage the cash flows of the Fund. In effect, this has enabled the Fund to profitably grow its asset base, as the cost of bank funding was historically lower than the Benchmark Rate offered to investors.

As at 31 December 2010 Equititrust, had a fully drawn finance facility of \$26 million with the National Australia Bank (NAB).

The Facility Expiry Date is 31 October 2011.

Equititrust on behalf of the Fund is undertaking strategies to repay the NAB facility before the Facility Expiry Date.

Equititrust is also seeking to raise up to \$50 million via the newly established Equititrust Priority Class Income Fund (ARSN 089 079 729) to refinance the existing facility with NAB, for future lending with board approval, and for payment of distributions and redemptions to investors. Further details are contained in the Equititrust Priority Class Income Fund Product Disclosure Statement which is freely available from our website www.equititrust.com.au or by contacting Equititrust on 1800 635 527.

Lending Policy and Security

Historically the lending policy and security of the Fund has been limited to mortgages over land, personal guarantees and other collateral security. As part of Equititrust's management of the Funds' assets in the best interests of all investors, Equititrust may also opt to:

- take additional collateral security or cross collateralise loans between related borrowers;
- exchange existing security property, such as land, for other security, such as bank guarantees, where Equititrust considers the value of the security is equal to or better than that currently held by the Fund; and/or

- restructure loans to allow the Fund to participate in the potential capital growth of a security property in exchange for waiving or deferring loan interest payments.

Landsolve

Landsolve Pty Ltd was established in late 2009 as a wholly owned subsidiary of Equititrust Limited in order to bring specialist project management expertise and property development experience in-house, thereby allowing Equititrust to:

- better risk-manage borrowers' performance;
- conduct full in-depth feasibility analysis and assessment;
- value-add to security properties by assessing development processes independent of the borrower;
- take a hands-on role to ensure a development is maximised pursuant to the Fund's security rights in order to protect investors' capital; and
- in certain circumstances, where Equititrust deems it appropriate and in the best interests of investors, to enhance or protect the value of the security property, to advance additional funds on existing loans.

Loan Default

Loan default may occur for a range of reasons, such as changes in the general state of the Australian economy, changes to the market conditions in which a borrower's primary business operates, or due to changes in regional property market conditions.

Equititrust deems any loans for which interest payments are greater than 90 days in arrears to be in default.

As at 31 December 2010, there were fifteen (15) loans that were 90 days or more in arrears. Loan principal for these loans totalled \$98,973,029, being 37.4% of total loans by value.

Given the current economic climate it is possible, depending on loan repayments received and the progress of recovery action undertaken by Equititrust, that the value of loans in default will increase to approximately 50% of total loans by 31 March 2011, and to approximately 80% between 30 April 2011 and 31 December 2011.

In the event that the value of loans in default materially exceeds 80% of total loans or there are other material events affecting the Fund, Equititrust will issue a further Supplementary Product Disclosure Statement.

Updates on the arrears position are provided in the Benchmark Disclosure Reports for the Fund, issued quarterly, and available from our website, www.equititrust.com.au or by contacting Equititrust.

Default Management

Historically, most development loans and some commercial loans undertaken by the Fund have capitalised interest, whereby the interest is included in the loan facility and deducted progressively.

Capitalisation of interest only occurs where Equititrust is satisfied the loan is, or (in the case of a cross-collateralised position) the combined loans are, recoverable and will not cause the loan-to-value ratio to exceed 80%.

In certain circumstances, where Equititrust considers it in the best interests of investors, Equititrust has made a strategic decision to allow some loans to go into default rather than continuing to capitalise interest for these loans.

In allowing certain loans to go into default, this then enables Equititrust to take enforcement action for the control of the security properties, in order to maximise and protect the asset values.

Equititrust's Funds Management team conducts regular reviews of the Fund's security assets in order to formulate and update the action plans for each of the relevant security assets.

These reviews identify which:

- a) Security assets to further develop, in order to maximise the net return on the asset for the Fund, and/or
- b) Security assets to exit immediately, at current 'as is' market value, in order to optimise the cash flow needs for the Fund.

These reviews are supplementary to and supported by the establishment and skill set provided by Landsolve.

Updates on the Fund's loan portfolio, including loan-to-value ratios and security valuation policy, are provided in the Benchmark Disclosure Reports for the Fund, issued quarterly, and available from our website www.equititrust.com.au or by contacting Equititrust.

Capital Warranty Investment

As detailed in the PDS, Equititrust Limited has invested a substantial proportion of its retained earnings in the Fund. This investment is subordinated to the interests of investors as a safety buffer against losses, should they occur.

For example, if the realised sale value of a security property does not adequately cover a Borrower's loan amount, then any loss would be first incurred against the Capital Warranty Investment held by Equititrust in the Fund.

As at 30 November 2010, the Capital Warranty Investment in the Fund totalled \$40 million, 16.4% of investors' funds under management.

For further information on the Capital Warranty Investment, please refer to the PDS.

Change of Directors

The Board of Directors for Equititrust Limited comprises:

John Goddard – Non-Executive Chairman

Mark Mclvor – Managing Director

David Kennedy – Chief Executive Officer

David Tucker – Non-Executive Director

Craig Treasure – Executive Director

JOHN GODDARD - NON-EXECUTIVE CHAIRMAN

John Goddard was appointed a Director of Equititrust on 12 October 2010. John has held many appointments as director of public corporations, private companies and charitable foundations for over twenty years.

John joined the Bendigo Bank Group in 1997 as CEO of its Italian banking subsidiary, Cassa Commerciale Australia Ltd (previously Banca Monte Paschi Australia Ltd). As a senior executive with St. George Bank, John played a pivotal role in growing its asset base from a relatively small financial organisation to the fifth largest bank in Australia. Prior to his role with St. George, John was responsible for managing World Bank and Asian Development Bank funding programs in Asia and the Pacific.

John is a fellow of the Financial Services Institute of Australia, a member of the Board of Advice of The Aboriginal and Torres Strait Islander Foundation, Director of Eidos Institute Ltd, trustee of the Ipswich Arts Foundation, and a member of the Australian Institute of Company Directors.

MARK MCIVOR - FOUNDER & MANAGING DIRECTOR

Mark began his commercial career as a partner in a law firm in 1982. Having specialised in property law and mortgage lending for over a decade, Mark established Equititrust in 1993. He has been responsible for guiding its growth and is passionately committed to excellence in investment performance and capital protection.

DAVID KENNEDY - CHIEF EXECUTIVE OFFICER

David Kennedy was appointed a Director of Equititrust on 14 May 2010. A Chartered Accountant and lawyer, David was previously a partner at Hong Kong's largest restructuring firm for over 8 years. With a background in company restructuring within the property development industry, David also has extensive international experience, in Australia, Singapore, Malaysia, Thailand, and Canada.

DAVID TUCKER - NON-EXECUTIVE DIRECTOR

David Tucker was appointed a Director of Equititrust on 3 September 2010. A founding partner of law firm, Tucker

& Cowen Solicitors, David has practiced in the areas of company law, partnership dispute resolution, commercial law and banking and finance litigation for 20 years.

David has extensive experience across a range of industries, regularly advising business owners, directors, shareholders, insolvency practitioners and creditors on all aspects of the Corporations Act relating to directors' duties and liabilities, management disputes, shareholders disputes and corporate governance issues.

David holds Bachelor and Masters Degrees in Law and a Bachelor of Business (Accountancy). David is also a solicitor and Member of the Queensland Law Society, and an Accredited Specialist in Commercial Litigation.

CRAIG TREASURE - EXECUTIVE DIRECTOR

Craig joined Equititrust as a Board Director, effective 12 October 2010, and as Director – Landsolve Residential, overseeing all Landsolve residential projects.

Craig is a qualified surveyor and property developer and is currently Managing Director of the Iliv Group. He is also a member of the Gold Coast chapter of the Urban Development Institute of Australia.

Craig has extensive experience in property development, with particular expertise in the residential sector. He has previously held numerous senior positions in the property sector including four years as a director of the publicly listed Sunland Group Limited.

Resignations

Wayne Mclvor resigned as a Director of Equititrust on 14 May 2010.

John Haney resigned as a Director of Equititrust on 3 September 2010.

Information Updates

Information on the Fund is updated regularly and disclosed on our website www.equititrust.com.au.

Summarised financial information for the Fund is updated half yearly. Benchmark Disclosure Report updates are issued quarterly.

Investors are encouraged to read this information before making an investment decision.

You can obtain a paper copy of the current Benchmark Disclosure Report for the Fund, free of charge, by contacting Investor Relations at Equititrust on 1800 635 527.

This information has been prepared by Equititrust Limited ABN 74 061 383 944 AFSL No. 230471. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. An investment in the Fund is not a bank deposit and carries the risk of investors not getting the return of all or part of their investment. Past performance is not an indicator of future performance and actual distributions may be lower than the Benchmark Rates. In deciding whether to invest in the Equititrust Income Fund ARSN 089 079 854 you should consider the current Product Disclosure Statement, copies of which are available from our website www.equititrust.com.au or by contacting us on 1800 635 527. Terms defined in this information have the same meaning as where used in the PDS, unless otherwise defined. We welcome your feedback at anytime. "You've earned the equity, we've earned the trust." Equititrust.